

## Message Text

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ACTION EB-08

INFO OCT-01 EA-07 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00  
DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00  
NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 ITC-01  
TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 STRE-00  
/083 W

-----252330Z 043388 /61

P R 250733Z JAN 77  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC PRIORITY 1708  
INFO AMEMBASSY TAIPEI  
AMEMBASSY TOKYO

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EO 11652: N/A  
TAGS: ETRD, GATT, KS  
SUBJ: MINISTERIAL APPEAL RE PRESIDENTIAL NONRUBBER  
FOOTWEAR DECISION

REF: SEOUL 574, SEOUL 633

PASS STR ELECTRONICALLY

SUMMARY: ROKG FEARS THAT SERIOUS ECONOMIC AND SOCIAL  
IMPACT WOULD ENSUE FROM A PRESIDENTIAL DECISION TO  
IMPOSE TARIFF QUOTAS AT THE LEVELS RECOMMENDED BY ITC  
MAJORITY (AS REDEFINED BY THE TAX REFORM ACT). ROKG  
CONSIDERS RELIEF RECOMMENDED BY ITC TO BE (A) DISCRIMINATORY,  
(B) AT ODDS WITH GATT ARTICLE XIII, PARA 2,  
(C) HARMFUL TO U.S. CONSUMERS AND EXPORTS, AND (D) IF  
MARKET IS IRREPLACEABLE, QUOTA WOULD CLOSE 30 PERCENT  
OF KOREAN FACTORIES AND CAUSE UNDUE HARSHOP AMONG THE  
78,000 EMPLOYEES IN THE INDUSTRY. IT REQUESTS THAT IF  
ITC RECOMMENDATION CANNOT BE REJECTED, ANY QUOTA ACTION  
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BE BASED ON 1976 IMPORT LEVELS. END SUMMARY.

1. MINISTER OF COMERCE AND INDUSTRY CHANG YIE JOON  
HAS WRITTEN AMBASSADOR TO REQUEST THAT STR BE INFORMED  
THAT THE IMPOSITION OF ITC TARIFF QUOTA RECOMMENDATIONS  
WILL HAVE DELETERIOUS EFFECTS NOT ONLY FOR U.S.  
CONSUMERS BUT FOR KOREAN SHOE INDUSTRY AND REPRESENTS

A POTENTIAL AND UNNECESSARY IRRITANT TO U.S.-KOREAN RELATIONS. CHANG EXPRESSES THE HOPE THAT THE USG WILL FIND IT POSSIBLE EITHER TO REJECT THE ITC RECOMMENDATION OR TO APPLY QUOTAS ON THE BASIS OF THE 1976 IMPORT LEVEL FROM KOREA.

2. ROKG BELIEVES THAT THE RELIEF RECOMMENDED BY ITC REPRESENTS DEFACTO DISCIMINATION AGAINST KOREA WHICH IS A NEW ENTRANT IN A PERIOD OF HIGH GROWTH. LETTER CLAIMS THAT SELECTION OF 1974 AS BASE RUNS COUNTER TO PREVAILING INTERNATIONAL PRACTICE WHICH RECOGNIZES POSITIVE GROWTH RATES. CHANG QUOTES GATT ARTICLE XIII, PARA 2 AS, "IN APPLYING IMPORT RESTRICTIONS TO ANY PRODUCT, CONTRACTING PARTIES SHALL AIM AT A DISTRIBUTION OF TRADE IN SUCH PRODUCT APPROACHING AS UPOSELY AS POSSIBLE TO THE SHARE WHICH THE VARIOUS CONTRACTING PARTIES MIGHT BE EXPECTED TO OBTAIN IN THE ABSENCE OF SUCH RESTRICTIONS,...."

3. CHANG NOTES THAT KOREA HAS BEEN THE ONLY COUNTRY TO COOPERATE WITH U.S. INDUSTRY IN VOLUNTARILY RESTRAINING RUBBER FOOTWEAR SINCE 1973. IT IS THE MAJOR IMPORTER OF U.S. RAW HIDE AND LEATHER (\$60 MILLION IN 1976) AND BUYS OTHER U.S. RAW MATERIALS AND MACHINERY (\$9 MILLION).

4. MCI ESTIMATES THAT TARIFF QUOTA SYSTEM WILL MAKE IT VIRTUALLY IMPOSSIBLE FOR KOREA TO EXCEED THE 9.2 MILLION PAIR QUOTA AND IF OTHER MARKETS CANNOT BE LIMITED OFFICIAL USE

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FOUND, LOSSES TO KOREA IN 1977 WOULD BE MORE THAN \$200 MILLION AND THE CLOSURE OF ELEVEN FACTORIES OUT OF A TOTAL OF 37 AND WOULD CAUSE A DISASTROUS EFFECT AMONG THE 78,000 EMPLOYEES IN ITS INDUSTRY.

5. EMBASSY COMMENT. ASSUMING (A) THAT U.S. MARKET IN 1977 IS THE SAME AS THAT IN 1976, (B) THAT THERE IS LITTLE LIKELIHOOD OF MAKING UP FOR 40 MILLION PAIRS IN OTHER MARKETS, AND (C) THAT THE PROPOSED 40 PERCENT TARIFF IS EFFECTIVE IN LIMITING ROK EXPORTS TO 9.2 MILLION PAIRS, IMMEDIATE LOSSES TO ROK INDUSTRY AND EMPLOYMENT COULD BE DISASTROUS INDEED BECAUSE QUOTA LEVEL REPRESENTS ONLY 19 PERCENT OF WHAT KOREA SHIPPED TO THE U.S. IN 1976. IT MAY BE RECALLED THAT THE PROPOSAL TO IMPOSE U.S. COTTON TEXTILE QUOTAS IN LATE 50'S BROUGHT A DELUGE OF LETTERS TO USG FROM KOREAN WORKERS THREATENING MASS SUICIDE. MOOD OF THE NATION IS NO LONGER SO PESSIMISTIC, BUT IN ADDITION TO ECONOMIC LOSSES, AT THE VERY LEAST IT WOULD BECOME

DIFFICULT TO CONTINUE TO ENCOURAGE THE ROKG ALONG THE  
PATH OF IMPORT LIBERALIZATION (SECOND REFTEL) AND  
PROBABLY SERVE AS JUSTIFICATION FOR EXPANSION OR RETENTION  
OF BARRIERS BY OTHER COUNTRIES. ALTHOUGH ROKG OFFICIALS  
ACCEPT THE PROTECTION OF INFANT INDUSTRIES IN PRINCIPLE  
THEY DO NOT RECOGNIZE THAT GERIATRIC TRADE  
BARRIERS (SUCH AS AMERICAN SELLING PRICE AND QUOTAS,  
HOWEVER ARRANGED) CAN SERVE ANY PURPOSE EXCEPT IN FREEZING  
OUT COUNTRIES WITH COMPARATIVE ADVANTAGE, RAISING  
IMPORTERS' PROFITS, SUPPRESSING OVERALL DEMAND AND ADDING  
TO ADMINISTRATIVE BUREAUCRACY, U.S. CONSUMER BURDENS  
AND DOMESTIC INFLATION. A UNIFORM HIGH TARIFF  
WOULD AVOID ALL OF FOREGOING PITFALLS EXCEPT THE LATTER  
TWO.  
SNEIDER

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## Message Attributes

**Automatic Decaptioning:** X  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Reference:** 77 SEOUL 574, 77 SEOUL 633  
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**Review Release Event:** n/a  
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**Review Withdrawn Fields:** n/a  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MINISTERIAL APPEAL RE PRESIDENTIAL NONRUBBER FOOTWEAR DECISION  
**TAGS:** ETRD, KS, GATT, ITC  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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